

March 30th, 2026

The Honorable John Laird
Senate Budget Committee, Chair
1021 O Street, Suite 8720
Sacramento, CA 95814

The Honorable Eloise Gómez Reyes
Senate Budget Subcommittee No. 2 on
Resources, Environmental Protection, and
Energy, Chair
1021 O Street, Suite 7210
Sacramento, CA 95814

RE: Restore Funding for the Demand Side Grid Support (DSGS) Program

Dear Chairs Laird and Reyes,

We, the undersigned local elected officials, respectfully urge you and your colleagues in the Legislature to restore funding for the Demand Side Grid Support (DSGS) program in the 2026 budget this summer. DSGS is a critical tool that helps communities across our state keep the lights on with clean, dispatchable, low-cost energy capacity and serves as a meaningful pathway for customers to participate in emerging networks of community-based power.

Unfortunately, DSGS faces a significant gap in funding for Summer 2026, putting the effectiveness of this program in jeopardy and leaving Californians vulnerable to energy shortfalls.

As civic leaders, one of our foremost priorities is ensuring our communities are connected to an electric grid that is safe, reliable, and affordable, especially during periods of extreme weather and heightened energy demand. **Although California has made tremendous strides in recent years to bolster the grid with a growing supply of energy from solar and battery storage, the state still relies on expensive, fossil-fueled peaker plants during the highest demand hours of the year. With its more than 1,000 MW of total capacity, DSGS is a key source of clean, dispatchable emergency capacity ready to replace fossil units and create a more reliable and affordable grid.**

We recognize the state's fiscal condition and the importance of prudent spending decisions. While the state's grid condition has improved in the past few years, our power supply is still at risk of shortfalls as a result of extreme weather events such as heatwaves, floods, and wildfires, which could put health and safety at risk. **The DSGS program is a low-cost program drawing on existing resources to help keep the lights on during hours of greatest need.**

Since it was established as part of the Strategic Reliability Reserve (SRR) in 2022, DSGS has paid both utility and community choice aggregator (CCA) customers to reduce or shift their energy usage and discharge excess energy back to the grid. The program's performance-based payment structure allows providers to tap into the growing fleet of customer-sited energy resources, like batteries, smart thermostats, heat pumps, EVs, and EV chargers, while avoiding much more capital- and GHG-intensive generation capacity like peaker plants. **It's a scalable, low-risk, low-cost insurance policy to keep the lights on that, if it receives the necessary continued funding, could generate more than \$200 million in net cost savings for California.**

¹ [CEC, California's Battery Storage Fleet Continues Record Growth, Strengthening Grid Reliability \(11/13/25\)](#)

² <https://dsgs.olivineinc.com/faq/#acc-w21q721-2>

³ [The Brattle Group, The Demand Side Grid Support Program: An Assessment of Scale and Value.](#)

The DSGS program was promised an additional \$75 million in funding for the 2026 program year to continue growing beyond its size in 2025, but that money did not make it into the final 2025 budget's Greenhouse Gas Reduction Fund (GGRF) allocation. As it stands, DSGS does not have enough funding to operate at the current capacity level in 2026. Without an adequate DSGS appropriation, this program will contract and close by the end of this year. Further, if DSGS does not receive more funding and in the absence of any alternative demand response compensation mechanism, promising community-based power programs, including those being rolled out by local governments through CCAs, risk being shuttered before reaching their full emissions-reducing and cost-saving potential. DSGS enables these programs to offer customers incentives to optimize their energy use and save money on their electric bills, making DSGS a key electrification and affordability program that helps our communities reduce emissions and increase resilience.

California has invested years of effort and hundreds of millions of private dollars in building DSGS into a national model for affordable, clean reliability. As the state evaluates potential longer-term reliability solutions, **we respectfully urge you to restore DSGS funding to at least \$75 million in 2026 to keep the program viable, sustain private investment, and protect Californians from higher bills and unnecessary emissions.**

Thank you for your leadership and attention to this critical matter. Please reach out any time should you require any additional information.

Sincerely,

Paul Boyer
Council Member
City of Farmersville

Addison Winslow
Council Member
City of Chico

Joe Little
Council Member
City of Rancho Cordova

Dan Brotman
Council Member
City of Glendale

Igor Tregub
Council Member
City of Berkeley

Alex Miller
Council Member
City of Seaside

Mitzy Perez
Council Member
City of Los Banos

Maria Ristow
Vice Mayor
Town of Los Gatos

David Cohen
Council Member
City of San Jose

Wes Speake
Vice Mayor
City of Corona

Scott Bauer
Council Member
City of Eureka

Desiree Thayer
Council Member
City of Burlingame

Rick DeGolia
Vice Mayor
Town of Atherton

Soheila Bana
Council Member
City of Richmond

John Marchand
Mayor
City of Livermore

Rachel Farac
Mayor
City of Novato

Otto Lee
County Supervisor &
Board President
Santa Clara County,
District 3

Paula Perotte
Mayor
City of Goleta

Peggy Lemons
Mayor
City of Paramount

Nikki Perez
Council Member
City of Burbank

Regina Chagolla
School Board Trustee
Emery Unified School
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Gabriel Quinto
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City of El Cerrito

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City of Madera

Sergio Lopez
Council Member
City of Campbell

Kathleen Treseder
Council Member
City of Irvine

Alex Monteiro
Mayor Pro Tempore
City of Hawthorne

Bapu Vaitla
Councilmember
City of Davis

Deborah Ruddock
Mayor
City of Half Moon Bay

Sara Lamnin
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Ron Bernal
Mayor
City of Antioch

George Tyson
Vice Mayor
City of Los Altos Hills

Elliot Scozzola
Vice Mayor
City of Campbell

Dan O'Donnell
Vice Mayor
City of Vista

Cc: The Honorable Monique Limón, President Pro Tempore of the Senate